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Abundant Farm Commodity Supplies Shape Markets

Large supplies of major U.S. field crops are expected again in 2001/02, keeping downward pressure on farm prices for the fifth consecutive year, according to USDA's first forecast for the season. U.S. soybean supplies for 2001/02 are expected to be record large, and average farm price is forecast to drop about 5 percent from 2000/01. Corn prices are expected to remain relatively unchanged, as higher carry-in stocks of corn largely offset lower production. Wheat deviates from the general projection, with production expected to decline 12 percent and season-average farm price to rise 16 percent (midpoint of forecast range).

Production of red meat and poultry in 2002 is forecast at nearly 83 billion pounds, up 1 percent from that expected this year, and marginally higher than record production in 2000. Continuing increases in pork and poultry production, bolstered by profitability and continued low corn and soybean meal prices, will more than offset a modest decline in beef production. Although red meat and poultry supplies are at record levels, relatively strong domestic and foreign demand is maintaining prices.

China's Fruit & Vegetable Sector in a Changing Market Environment

China's longstanding potential as a strong competitor in international fruit and vegetable trade will likely be realized over the next several years. Although China exports less than 1 percent of its fruit and vegetable production, private-sector investment—both domestic and foreign—is currently creating world-class operations that deliver high-quality fruits and vegetables within China and to international markets. Growth in domestic demand for fruits and vegetables, improvements in marketing practices, and China's future agricultural production policies will largely determine how soon and how strongly China's produce sector affects U.S. and world markets.

Mexican Cattle Exports to U.S.: Current Perspectives

For generations, cattle have played a key role in bilateral trade between the U.S. and Mexico, and the composition of cattle trade has remained relatively constant over the years. The U.S. exports breeding stock and cattle for slaughter to Mexico, while Mexico exports primarily feeder cattle (young stock to finish gaining weight in feedlots) to the U.S. The U.S. is expected to remain a major market for Mexican cattle producers, who raise cattle suited for feeding with seasonal forage supplies.

Using Farm-Sector Income as a Policy Benchmark

Measures of farm-sector income are valuable indicators of how well U.S. agriculture is performing, but they may not fully capture the financial situations of farmers and farm families. Intended policy outcomes and actual results often diverge because aggregate measures do not reveal the wide variations in income and circumstances among various farm groups, do not reflect off-farm income and wealth, do not reveal farmers' problems with servicing debt, and give no indication of how many farms fail financially.

High levels of government payments to the U.S. farm sector have forestalled a significant drop in national farm income in recent years. While payments boost both profitability and household income, they enhance rates of return disproportionately for farms that have low and high rates of return relative to other farms. Likewise, the effect of direct payments on farm household income is greatest for households with the lowest and highest measured levels of economic well-being.

Government Payments to Farmers Contribute to Rising Land Values

Value of agricultural land depends largely on its expected future earnings from farming. Income from government payments indirectly supports farmland values and contributes to higher rents, generally benefiting farmland owners. But for farmers who rent a large share of the acreage they operate, higher rental rates raise fixed costs and increase the risk of operating losses if commodity prices and government payments decline. ERS analysis indicates that the contribution of government payments to U.S. farmland value rose from about 13 percent during 1990-97 to 25 percent during 1998-2001.

Falling Prices & National Farm Policy: The Northern Great Plains

Fluctuating crop prices and farm incomes can affect the economic well-being of rural communities and even entire regions. This is especially so in the Northern Great Plains—where farm production and food processing account for one-fifth of total regional output and almost one-tenth of employment. Low crop prices during 1998-2000 triggered marketing loan benefits (MLBs) and emergency market loss assistance payments (MLAs), propping up farm income and generating spillover effects throughout the regional economy. A regional economywide model shows that MLBs reduce job losses in crop production and cut by half the negative effect of low prices on gross regional product. MLA-type lump-sum transfers do little to offset reductions in crop production and employment induced by low crop prices.